

# Monthly Report.

January 2025



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## Monthly Highlights.

<b>BPNG INTERVENTION INCREASES</b>	The Central Bank provided much needed support to a quiet month in the FX market, with increased intervention (+56%) to support import orders.	<b>GLOBAL COFFEE PRICES UP +18%</b>	Global coffee prices increased by 18% during January to start the year with major producers reporting a favourable weather conditions on the horizon with the upcoming crop yield.
<b>SANTOS' Q4 SALES REVENUE INCREASES BY 10%</b>	Santos Limited reported a 10% increase in sales revenue in Q4 compared to the previous quarter. This performance was largely due to higher production of crude oil, condensate, and LNG, which offset lower average realized prices across the portfolio.	<b>T-BILLS RAISE K1.83 BILLION IN JANUARY</b>	The first T-bills auction for the year saw a total of K1.83 billion raised in successful bids, which is a +41.08% increase from the same period in 2024.
<b>INCREASE IN VOLUME AHEAD OF 2024 FULL-YEAR EARNINGS SEASON</b>	PNGX saw 1.2 million units of stocks traded during January, a 76% increase from the previous month, ahead of the 2024 full-year reporting season. However, this performance is 20% lower than the volume traded in the corresponding period in 2023.	<b>T-BILLS: FIRST OVER-SUBSCRIPTION FOR 2025</b>	Treasury bills were oversubscribed in January by K788.45 million after three consecutive months of undersubscriptions.

## Monthly Economic Update.

- Entering 2025, the major sentiment weighing on US businesses will be the policy implementation of President Trump's proposed economic policies – in particular, tariffs on China and other major economies, which will have ripple effects on global financial markets.
- Regional inflation, particularly for Australia, has been easing with many commentators citing possible rate cuts in the Reserve Bank of Australia's next Board meeting. This will keep the Australian dollar exchange rate (against the US dollar) within the mid-60 range.
- Following the approval by the PNG Government to proceed with Pasca Gas project, business sentiment will turn to the next cab off the rank: Papua LNG which seems to have stalled. A possible start date look set in Q1/2026.
- January 2025 started off slowly, but there is some quiet optimism as we see indicators in domestic markets show business keeps ticking along.

## PGK FX Market.

- The PGK/USD interbank rate was flat during January. After averaging a 16 basis point per month downward movement during the second half of 2024, the interbank rate only moved 5 basis points during the first 2 weeks of January before staying at 0.2494 for the rest of the month. *There was no official notice regarding the sudden slowdown in the rate movement.*
- BPNG intervened into the market with US\$100million during January, a 56% increase from the previous month (Jan-25: US\$64m vs Dec-24: US\$100m). Domestic FX market activity slowed down during January, with total market turnover dropping 5.4% m/m (Jan-25: PGK5.16b vs Dec-24: PGK5.45b).

PGK/USD flatlines during January

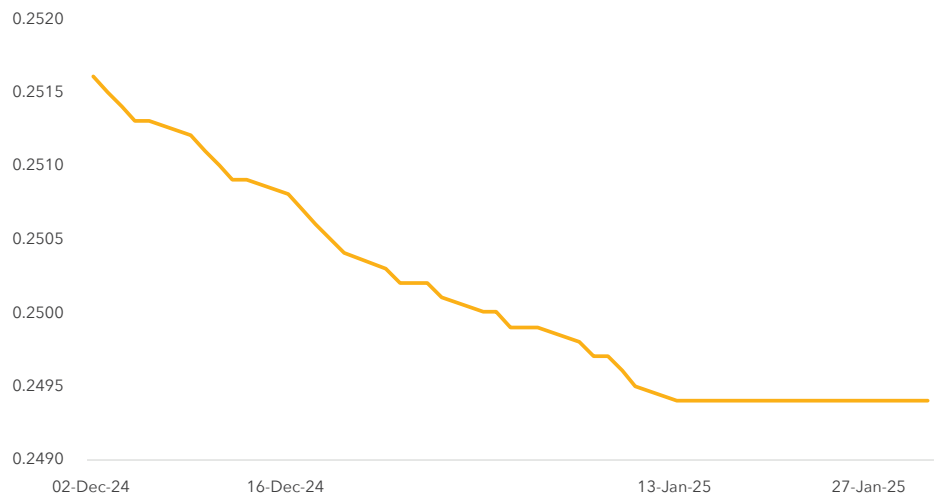


Figure 1.1 PGK/USD interbank rate, Dec-24 to Jan-25. Source: Bank of PNG, KB Economics.

- The continued BPNG intervention, with the depreciating PGK/USD interbank rate has led to faster clearance times. Capital Orders

are still being restricted by the regulator, with all foreign currency still only allocated to "essential orders".

## Australian dollar volatility.

The AUD/USD exchange rate has experienced several bouts of volatility during January. Much of the positivity was driven by easing concerns over an immediate increase in US trade tariffs as US President Donald Trump indicated a more measured approach to import tariffs than his previous rhetoric had indicated. This was also supported by softer-than-expected US core inflation, boosting sentiment and the Australian dollar.

It was the economic news that weighed on the AUD/USD at various stages throughout January. The softer Aussie CPI monthly data raised expectations that the RBA may cut interest rates in

Soft Australian data keeping AUD/USD low

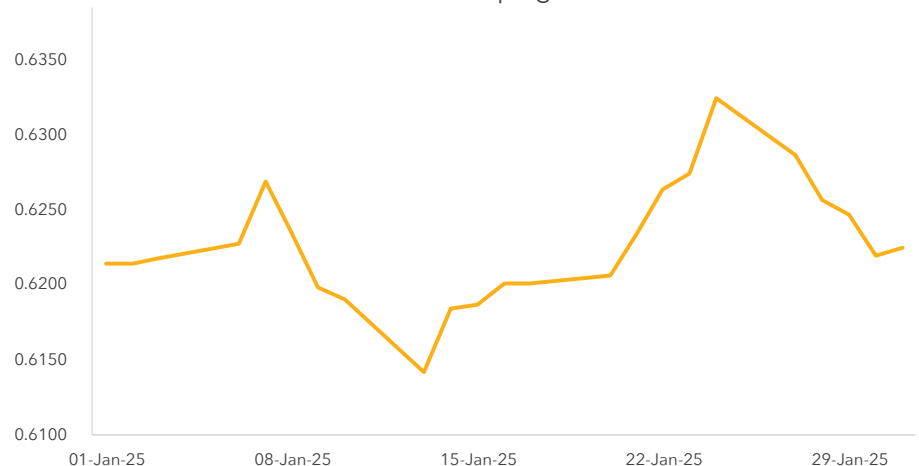


Figure 1.2 AUD/USD exchange rate, Jan-25 Source: Bloomberg, KB Economics.

February, driving the AUD/USD lower. This also coincided with solid US employment data which saw traders

wind back their pricing for Fed rate cuts in 2025, pushing the US dollar index to a two-year high.

## Australian dollar volatility cont.

The flat lining PGK/USD at 0.2494 and the Aussie dollar “settling” below US\$0.6300 meant a PGK/USD cross-rate trending well above 0.3800 during the month. The current levels for the AUD/USD at 0.6250 are slightly below the medium-term average of 0.6500, which is where it could land on a monthly average basis during the first half of this year.

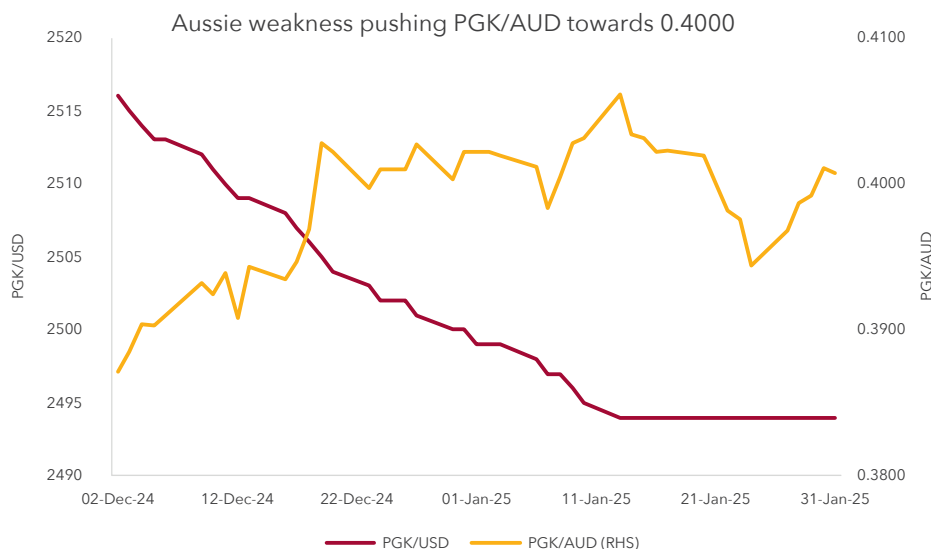


Figure 1.3 PGK/USD and PGK/AUD exchange rate, Dec-24 to Jan-25. Source: Bloomberg, KB Economics.

## PNG Equities.

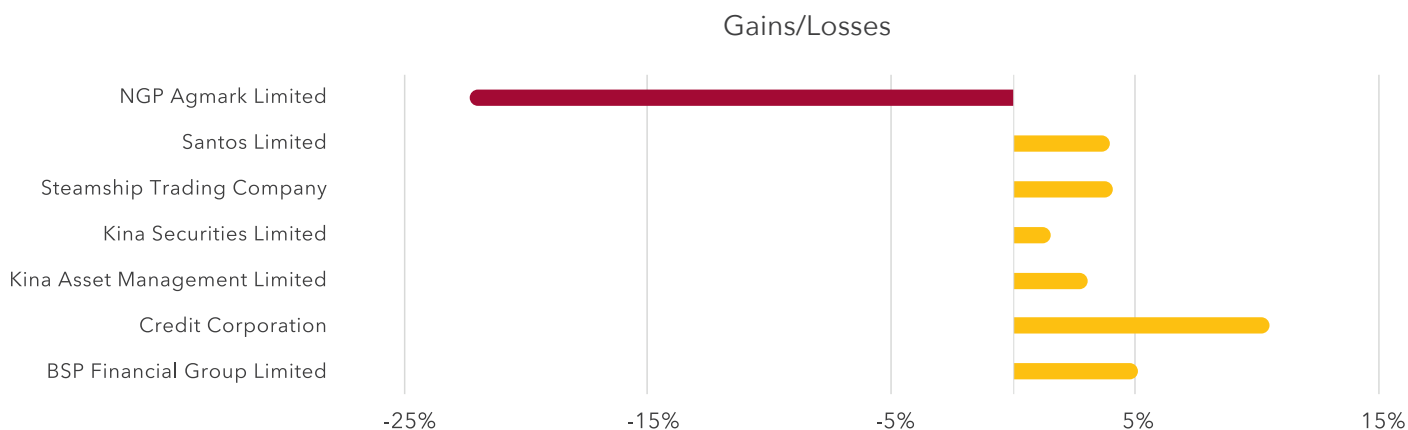


Figure 2.1 PNGX Stock Market Monthly Price Changes, Jan-2025. Source: PNGX, KB Economics.

### PNGX Market Performance

Activity on the PNGX commenced the year on a strong note, with 1.2 million units of stocks exchanged during January, a +76% increase from the previous month, but 20% lower than

the corresponding period in 2024. The increase is no surprise, as momentum in the market normally peaks around this time each year ahead of the full-year earnings season.

## PNGX Market Announcements.

### PNGX and SPX strengthen partnership

PNG's National Stock Exchange (PNGX) signed a Memorandum of Understanding (MOU) with Fiji's South Pacific Stock Exchange Pte Limited (SPX) in Suva, Fiji. This is an agreement to explore opportunities in technology sharing and strengthening partnerships, which underscores the parties' shared vision of creating robust, efficient, and inclusive capital markets in both countries and the South Pacific region, while retaining their commercial and local identities and operations. In the future, this may present opportunities for retail customers in the respective jurisdictions to access the capital markets for investment opportunities.

### Newmont expects \$425 million in gross income from the sale of the Porcupine operation

As part of its ongoing divestiture program, Newmont Corporation has agreed to sell the Porcupine operation in Ontario, Canada, to Discovery Silver Corporation for \$425 million.

Newmont expects to close this transaction in the first half of this year, after certain conditions are satisfied, including regulatory approvals. The transaction includes the following: \$200 million in cash, \$75 million in equity (Discovery shares), and \$150 million in deferred cash—commencing on December 31, 2027.

### Santos reports 10% growth in Q4 sale revenue

Santos Limited (STO) reported strong results in Q4, with sales revenue up 10% to \$1.4 billion from the previous quarter, while achieving an operating cash flow of \$430 million, compared to \$400 million in Q3. This was largely due to higher production in crude oil, condensate, and LNG, which offset lower average realized prices across the portfolio.

### BSP appoints new Group CFO and Chief Auditor

BSP Financial Group Limited announced this month that it has appointed Mr. Glen Skarott as Group Chief Financial Officer (CFO), replacing Ms. Maryann Lameko-Vaai, who has been appointed as Group Chief Auditor (CA).

## Domestic debt market.

The Treasury bill (T-bill) auctions in January 2025 marked a positive start to the year, with yields across all tenures maintaining a strong position after reaching a peak in December 2024. The 182-day and 1-year (364-day) papers had hit their highest yields for 2024 at 5.72% and 8.65%, respectively, while the 273-day paper saw its peak of 6.44% in November.

At the end of January, yields increased across all tenures except the 1-year paper, which dropped 15 basis points (bps) to close the month at 8.50%. However, this rate represented an increase of 506 bps compared to January 2024. On average, yields across all papers have risen by more than 400 bps from the levels seen in January 2024.

The auctions held in January were notably oversubscribed for the first

time in three months, with a total of K1,825.32 million (K1.83 billion) raised from K2,475.63 million (K2.48 billion) in bids received. The 182-day paper was the most successful, with nearly 100% of the bids being accepted

While the oversubscription level in January was -45.90% lower year-on-

year, the amount raised was +41.08% higher than in January 2024, indicating that the government had more room to accept bids despite the high yields.

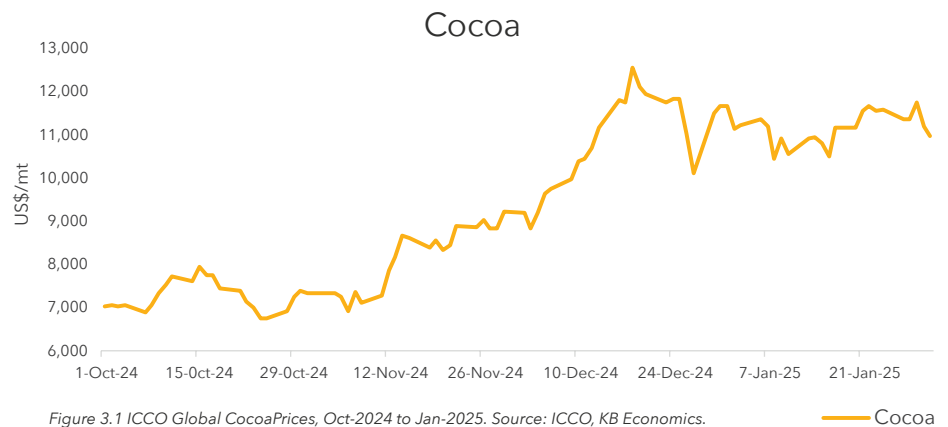
As yields continue to remain relatively high, strong demand for government securities is expected, although a cautiously optimistic outlook prevails.

JANUARY 2025 - TREASURY BILL AUCTION RESULTS						
TERM (DAYS)	63	91	182	273	364	TOTAL
Weighted Average Yield	0.00%	4.00%	5.73%	6.46%	8.50%	
Amount Offered	0.00	35.00	120.00	120.00	1,412.18	PGK 1,687.18
Bids Received	0.00	50.00	203.81	150.00	2,071.82	PGK 2,475.63
Successful Bids	0.00	35.00	203.01	135.00	1,452.31	PGK 1,825.32
Over/Undersubscription	0.00	15.00	83.81	30.00	659.64	PGK 788.45
Over/Undersubscription Rate	—	42.86%	69.84%	25.00%	46.71%	46.73%
Success Rate	—	70.00%	99.61%	90.00%	70.10%	73.73%

# Commodities.

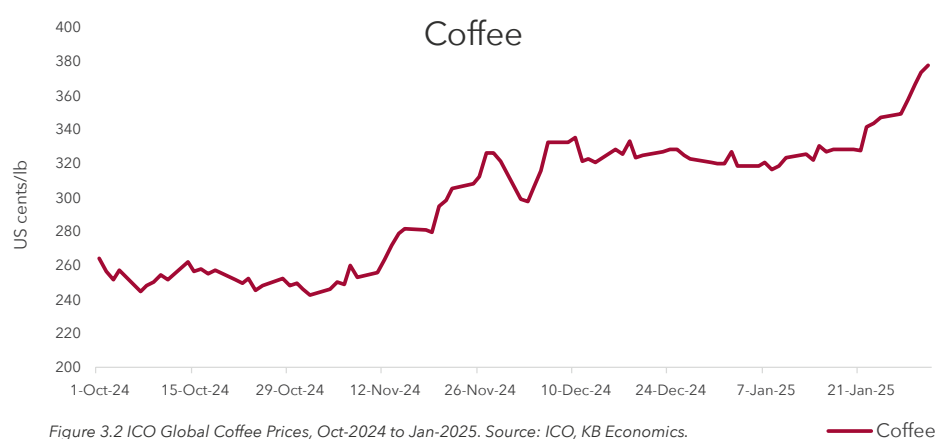
## Cocoa

Global cocoa prices gradually eased off during January, opening at US\$11,675/mt before closing out the month at US\$10,987/mt, a drop of -5.89% to close out the month. Price levels are still 30% higher than three months ago, but the volatility during January suggests that there could be price corrections due to continued weather patterns and consumer behaviours.



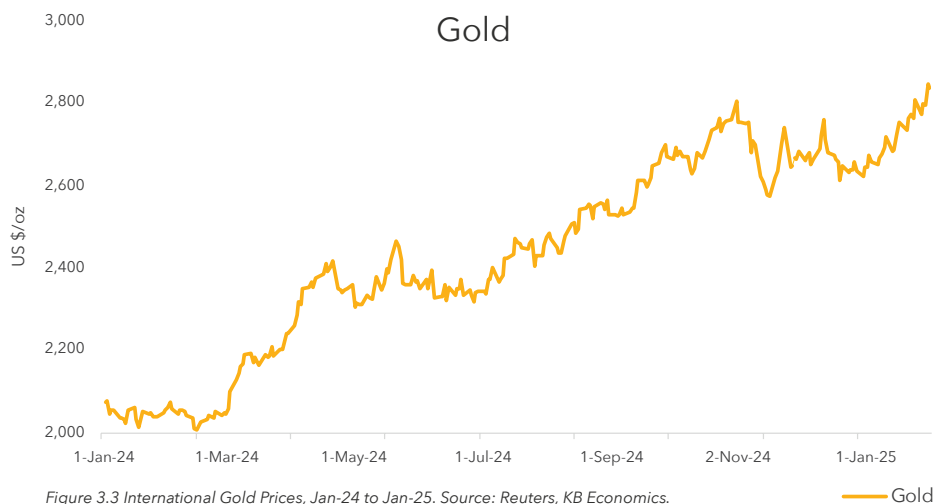
## Coffee

Global coffee prices climbed by 18% during January, with the expectation of lower Arabica production causing price volatility in the market. Coffee prices closed the month trading at historical highs of US\$3.78/lb. Even though leading coffee producer, Brazil, has had favourable weather since a severe drought last year, the upcoming crop season is forecast to be 4.4% smaller than previous, according to Brazil food supply agency Conab. Given these on-going supply constraints, we expect coffee prices to remain elevated.



## Gold

Gold prices closed out January above US\$2,800 per ounce, which was an 8% increase m/m, and almost 40% above price levels from 12 months prior. Since late 2024, tighter US monetary policies (higher interest rates) has exerted pressure on gold. However, this has been countered by Chinese demand, with lower deposit rates and expectations of currency depreciation making it an attractive investment for Chinese households.



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